

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 91-008-G - ORDER NO. 91-972 ✓
NOVEMBER 4, 1991

IN RE: Semi-Annual Review of Gas Cost Recovery)
 Procedures & Purchasing Policies of) ORDER
 South Carolina Electric & Gas Company.)

On October 24, 1991, the Public Service Commission of South Carolina (the Commission) held its semi-annual hearing on the gas costs of South Carolina Electric & Gas Company (SCE&G or the Company). By Order No. 91-191 in Docket No. 91-007-G, dated March 12, 1991, SCE&G's April 1991 review was continued to the October 1991 PGA review date.

Robert T. Bockman, Esquire, represented SCE&G; Elliott F. Elam, Esquire, represented the Intervenor, Consumer Advocate of South Carolina (the Consumer Advocate); and F. David Butler, Staff Counsel, represented the Commission Staff. South Carolina Pipeline Corporation (Pipeline) moved on October 21, 1991, to intervene out of time. This Motion was withdrawn by letter on October 23, 1991.

At the time of the hearing, the Company, the Commission Staff, and the Consumer Advocate presented a Stipulation signed by representatives of all three parties for the Commission's consideration. The terms of the Stipulation are as follows:

(A) That effective on and after the date of any

order of this Commission approving the within Stipulations, the rate of return on common equity of 12.75%, previously approved in Order No. 89-1074, dated November 30, 1989, will be adjusted to 12.25% for SCE&G's firm natural gas operations.

(B) That the Staff and the Consumer Advocate will not oppose the adoption of the WNA for SCE&G's gas operations and the elimination or withdrawal of the gas rate schedules, as proposed in the Company's Application, dated July 26, 1991, in Docket No. 91-342-G, effective as of November 1, 1991, for implementation in the Company's December 1991 billing cycles.

(C) That the implementation of the WNA will be effective for three years, beginning in November 1991. The WNA will be subject to annual docketed review by the Commission including discovery, and it will be subject to modification and/or termination after each winter period at the discretion of the Commission.

(D) That, in implementation of the WNA, the Company will use the normal heating degree days published by the National Oceanic and Atmospheric Administration (NOAA). That information is based on a thirty-year period, recalculated each decade. Until NOAA updates the presently published normal

heating degree days, the Company's WNA will use the information for the period 1961-90 contained in an attachment to the Stipulations.

- (E) That upon the Commission's approval of the proposed WNA, the Company will begin an information program designed to advise its customers of the WNA and its operation. The Company will continue such program through the first year of operation of the WNA, and the Company will advise the Commission of all aspects of the informational program.
- (F) That the Company will maintain its books and records in sufficient detail to enable the Commission to determine the revenue impact of the operation of the WNA. The Company will file monthly reports to enable the Commission to make such determination.
- (G) That SCE&G will not propose the adoption of a weather normalization adjustment, similar to the WNA to be approved in Docket No. 91-342-G, for its retail electric operations which would be effective prior to November 1, 1994.
- (H) That SCE&G will propose the adoption of a cost of gas of 38.375 cents per therm for its firm rate tariffs in Docket No. 91-008-G, effective November 1, 1991. The proposed cost of gas

represents a reduction of seven and one-fourth cents per therm in the cost of gas previously approved by the Commission.

(I) That the parties agree that for the historic period at issue in Docket No. 91-008-G (i.e., September 1990 - August 1991), SCE&G's gas purchasing practices and the recovery of its gas costs were undertaken in accordance with tariffs and rate schedules approved by the Commission for South Carolina Pipeline Corporation and SCE&G. The Consumer Advocate and the Commission Staff agree that they will not challenge the fact that SCE&G purchased its gas and recovered its gas costs in accordance with such approved tariffs and rate schedules during that historic period.

(J) That the parties agree that these Stipulations will not affect the implementation of the provisions contained in paragraph 3 of the Settlement Agreement, dated May 6, 1991, and executed by the Consumer Advocate, the Commission and Peoples National Gas Company of South Carolina, and entered in Hamm v. Public Service Commission of South Carolina, et al. (South Carolina Supreme Court Docket No. 90-757).

(K) That no base rates to any existing customer served on Rate Schedule 6 or 7 shall increase as a

result of these Stipulations for a period of 18 months from the date of any order of the Commission approving the within Stipulations.

(L) That the agreement of the Consumer Advocate and the Commission Staff to these Stipulations does not constitute waiver of their agreement for proper inquiry into the allocation procedures for the entities formerly known as Peoples Natural Gas Company of South Carolina and related matters, including the consolidation of certain propane operations which are now affiliated with, or owned by, SCANA Corporation.

(M) The parties agree to file the within Stipulations for formal approval by the Commission not later than the public hearing now scheduled in Docket No. 91-008-G for October 24, 1991. The parties agree to cooperate in the submission of these Stipulations in that proceeding and in Docket No. 91-342-G for the purpose of the Commission's consideration of the Stipulations.

In addition to these Stipulations, SCE&G offered the testimony of Warren A. Darby (revised) and Carey S. Flynt (revised exhibits), and the Commission Staff offered the testimony of Brent L. Sires (revised). The parties conformed their testimony to the terms of the Stipulation.

Based on the evidence in the record, the Commission makes the following findings and conclusions:

1. SCE&G testified that its forecasted cost of gas was based on the latest historic actual period of the twelve (12) months ending August 1991. During this historical actual period, adjustments were made for known and measurable changes, such as changes to rates from SCE&G's intrastate supplier and tariff changes from interstate suppliers to its intrastate supplier that are in effect or scheduled to be in effect during the forecasted period November 1991 through October 1992. Certain take-or-pay charges from SCE&G supplier were also included in its forecast. The Company also made other normalizing adjustments to the historic period in developing the forecasted price of natural gas to its customers. Based on this testimony, the testimony of Staff witness Sires, and the Stipulations quoted herein, the Commission finds that (a) By applying the forecasted monthly cost of gas to its projected firm sales, an average annual rate of \$.38375 cents per therm has been developed and will be incorporated in SCE&G's firm base tariff rates through October 1992 unless an out of period adjustment is found necessary due to changes in the Company's gas cost; (b) The currently approved cost of gas in the rate tariffs is \$.45625 cents per therm. The new rate of \$.38375 cents per therm causes a decrease to the Company's firm rate tariffs of \$.07250 cents per therm; and (c) The projected results of applying SCE&G's recommended fixed gas rate indicate the Company's experiencing a cumulative under-collection on its gas costs at October 1992 in the

amount of \$1,214,007.80.

Staff witness Sires originally filed testimony in this Docket in which he raised issues relating to the Company's gas purchasing practices and the level of costs for the Company's gas. The Commission voted, however, to hold these matters in abeyance until some future time. Accordingly, Sires withdrew the portions of his testimony relevant thereto. Upon due consideration of this matter, the Commission holds that the subjects raised in witness Sires' original testimony deleted from his revised testimony shall be held in abeyance until after the Commission's decision in Docket Nos. 90-452-G, 91-011-G and 91-563-G (concerning South Carolina Pipeline Corporation) on December 3, 1991. According to Company witness Darby, SCE&G purchases all of its gas from South Carolina Pipeline Corporation, therefore, the matters raised by witness Sires are inextricably linked to what South Carolina Pipeline Corporation charges SCE&G for its gas. Thus, it is logical to us, to address the questions raised by witness Sires after the Commission's decision in the South Carolina Pipeline cases.

SCE&G's motion to strike certain portions of Staff witness Sires is moot since Staff witness Sires voluntarily withdrew this portion of his testimony. Also, SCE&G's petition seeking a waiver of the "ten (10) day rule" under our regulation 103-851 is also moot.

2. Staff witness Sires testified that the present approved gas costs collection procedure provides for a fixed base cost of gas component for a six (6) month period to prevent fluctuations in

the gas costs. The Commission finds that this procedure allows the Company to collect only gas related costs. Based on the above finding, the Commission concludes that the purchased gas adjustment of the Company is operating properly.

3. Staff witness Sires also recommended that SCE&G's PGA and gas purchasing policies be reviewed on an annual basis instead of on a six (6) month basis, as is presently the case, and that the October hearing be used to establish the base cost of gas to be used for billing beginning with the first billing cycle in November. Although hearings may not necessarily be held after every review as a result of Commission Order No. 91-927 in Docket No. 91-596-G, dated October 16, 1991 on the PGA and gas purchasing practices, the Commission believes that an annual review in concert with Mr. Sires recommendation is appropriate for SCE&G to promote uniformity with the Commission's policy on the annual review of the PGA and gas purchasing practices of other gas companies.

IT IS THEREFORE ORDERED.

1. That the Stipulation entered into by the Company, the Commission Staff and the Consumer Advocate is hereby held to be fair and reasonable and the provisions thereof are hereby adopted as an Order of this Commission as stated.

2. That the purchased gas adjustment of South Carolina Electric and Gas Company is hereby approved.

3. That the gas cost of \$.38375 cents per therm shall be effective, beginning with the first billing cycle in November 1991.

4. That the new tariff sheets and rate schedules should be

filed reflecting the findings herein within five (5) days of the date of this Order.

5. That SCE&G's prudence and PGA shall be reviewed on a yearly basis, rather than on a semi-annual basis as is presently the case.

6. That the issues raised by witness Sires in that portion of the testimony which was held in abeyance will be addressed in a manner consistent with the Stipulation approved herein after the Commission's decision in the upcoming South Carolina Pipeline Corporation hearings on Docket Nos. 90-452-G, 91-011-G and 91-563-G.

7. That SCE&G's Petition for Waiver of R.103-851 is hereby dismissed as moot.

8. That SCE&G's Motion to Strike portions of the Staff's testimony is hereby also dismissed as moot.

9. That for the period September 1990 through August 1991, SCE&G's gas purchasing practices and the recovery of its gas costs were undertaken in accordance with tariffs and rate schedules approved by the Commission for South Carolina Pipeline Corporation and SCE&G.

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10. That this Order shall remain in full force and effect
until further Order of the Commission.

BY ORDER OF THE COMMISSION:

VICE Henry B. Jones
Chairman

ATTEST:

Charles W. Ballentine
Executive Director

(SEAL)